

**Medical
Plan**

If you are not satisfied with the response to your written inquiry, you may further appeal the denial of your medical claim by submitting a request for reconsideration with supporting documentation to:

Secretary, Employees' Benefit Committee
SNET
227 Church Street
New Haven, Connecticut 06506

This request should be submitted within 60 days of your receipt of the decision you wish to appeal. The Employees' Benefit Committee, the Plan Administrator, will respond within 60 days of receipt of your appeal and has the right to interpret the provisions of the SNET Medical Plan for Retirees as to any claim submitted.

YOUR RIGHTS UNDER ERISA

The Employee Retirement Income Security Act of 1974 (ERISA) was designed to protect em-

SNET Reversal of 1991 LFAM

A	B
Correct	Incorrect
(SNET's Approach)	

Step 1: Rate of Return calculation

a Revenue	\$319,421,000	\$319,421,000
b -LFAM 1992 Revenue	(\$7,349,000)	\$0
c Rate of Return	11.84%	12.69%

Step 2: Sharing Determination

d Stabilizer	12.25%	12.25%
e Excess	0.00%	0.44%
f 1992 Sharing*	\$0	\$1,950,000

Step 3: Adjustments to 1993 Rates

g LFAM in Prior PCI**	\$10,937,981	\$10,937,981
h delta Z for 1991 LFAM**	(\$11,472,587)	(\$11,472,587)
i 1992 Sharing	\$0	(\$1,950,000)
j Net Impact of LFAM	(\$534,606)	(\$2,484,606)
k Excess Price Reduction due to LFAM double counting	\$0	(\$1,950,000)

*State tax rate @12.65% eff 1/1/92

**SNET Workpaper 4 (page 25)

ANALYSIS

The amounts in rows "g" and "h" include the \$7MM LFAM revenue (row "b") SNET received in 1992. Row "h" reduces 1993 rates for all of this revenue (plus an additional amount for the growth in "R"). If the procedure in column B were followed, rates would be reduced twice for the same revenue. Since the LFAM revenue is already applied to reduce rates directly in the PCI formula, it should not be used to affect another rate reduction indirectly via the ROR Sharing component of the PCI formula. Column A shows the correct procedure.

G" Factor Development and PCI Comparison

	As Filed -----	Corrected -----
1. Annual Access Lines Base Period	1,800,536 *	21,472,070 #
2. Annual Access Lines Base Period-1	1,778,555 *	21,179,280 #
3. MOU Base Period	6,093,365,418	6,093,365,418
4. MOU Base Period-1	5,791,348,780	5,791,348,780
5. MOU Per Access Line Base Period (Line 3/Line 1)	3,384	283.78
6. MOU Per Access Line Base Period-1 (Line 4/Line 2)	3,256	273.44
7. Growth in MOU/Access Line-"G" Factor (Line 5-Line 6)/Line 6	0.0393	0.0378
8. Price Cap Index (PCI)	78.4718	78.5296

* December (mid-point of test year) monthly quantity
Total annual access lines (sum of monthly quantities)

CERTIFICATE OF SERVICE

I, Wendy Bluemling, hereby certify that SNET's Reply has been filed this twenty seventh day of July, 1993 to all parties listed on the service list below.

Wendy S. Bluemling
Wendy S. Bluemling

Secretary's Office - Original plus seven copies *
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Petitioning Carriers

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